



AGENCY: City Council
MEETING DATE: October 23, 2023
DEPARTMENT: CV Starr & Finance
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AGENDA ITEM SUMMARY

TITLE: Conduct Public Hearing, Receive Recommendation from Finance & Administration Committee and CV Starr Ad-Hoc Committee Regarding CV Starr Fees, and Consider Adoption of City Council Resolution Approving Updates to the CV Starr Fee Schedule

ISSUE/BACKGROUND:

The City reviews and updates the City's Fees, consistent with the goal of ensuring, with only a few exceptions, that fees for City services are sufficient to fully recover the cost of providing those services. The attached proposed fees have been prepared to meet this strategic objective. A comprehensive study of the C V Starr Community Center's fee schedule has never been completed before. In January, the CV Starr Staff began working with the City's finance team and took a more in-depth approach to analyzing each activity described in the fee schedule. Staff researched and discussed why the historical context of changing fees on an annual basis has never been done. During these discussions, it was realized that the current C.V. Starr fee schedule reflects the same rates that were charged in 2012 for most of the fees. Staff time for each task and the cost of any external supplies or services are factored into the estimated average cost of performing the service.

On March 6, 2012, voters in the City of Fort Bragg passed Measure A, which enacted Ordinance No. 902- 2012 authorizing the City of Fort Bragg to levy one-half of one percent special sales tax to fund operation, maintenance, and capital improvements at the C.V. Starr Community Center and to be administered by the State Board of Equalization. The ordinance established that, prior to levying the sales tax, the parties must enter into a property tax sharing agreement, and title to the premises must be transferred to the City. Both parties entered into a property tax sharing agreement that allows the City to allocate certain revenues ("Property Tax Revenues") for the operation and maintenance of the C.V. Starr Community Center. The City of Fort Bragg took the C.V. Starr Community Center title on May 14, 2012.

In the prior fiscal year, audited statements, Measure A generated \$1.1 million, and Property Tax Revenue was \$268,596. Total tax revenues amounted to \$1.5 million with operating revenues of \$578k, down from \$703k pre-pandemic. Tax revenues alone cannot sustain the daily operational costs of the C.V. Starr Community Center or set aside reserves to fund the increasingly extensive list of capital improvements needed, totaling \$2.6 million in the next five years.

Previously, the center was closed in mid-March 2020 in compliance with shelter in place orders due to COVID-19 and remained closed through the fourth quarter of FY 2021/22.

As a result, the center was able to build up reserves to \$2.2 million at the end of FY 21/22 from \$702k pre-COVID. This resulted from COVID relief funds from State Parks of \$602k and savings in operating expenditures, particularly utilities and personnel costs. In the FY 2023/24 Adopted Budget, \$1.7 million has been approved to replace the HVAC Air intake system, depleting reserves to \$520k.

The last updates to the center fees were approved in 2013, with some revisions in 2018. The attached fee schedule includes calculating the cost of providing services offered by the C.V. Starr Community Center.

Overall, personnel costs have increased year over year. Since the last fee updates, benefit costs and the minimum wage has increased from \$14 to \$16. In 2024, a qualified initiative on the November 2024 ballot would increase [California's minimum wage to \\$18/hour](#) if approved and then increase yearly based on the cost of living. Due to the challenges in hiring lifeguards, the pay compensation of these positions may need to be evaluated in the future, consequentially increasing cost of service.

Additionally, utility costs have increased by 20% year-over-year to the \$350k budgeted in FY 22/23. Insurance costs for worker's compensation, property insurance, and general liability have recorded increases of 50%, totaling \$60k/annually.

As mentioned above, the proposed fee increases are necessary to ensure operating revenues keep up with rising operating costs for financial stability and ensure the enterprise has sufficient operating and capital improvement funding.

ANALYSIS:

Due to the tax revenues the center receives to supplement operations, the methodology implemented in the review of each fee has been a lower cost recovery goal in order to keep program and facility use fees affordable, especially to low income residents while addressing rising operating expenditure costs as discussed above.

The FY 2023-24 fee schedule update includes the following noteworthy changes:

1. ***Day Passes/Drop-in Fees:*** The proposed increase of \$3 will align the facility with the local sports club and other comparable centers. As a comparison, the other local sports club charges a \$ 15-day pass, with the Center's proposed fee of \$11.
 - a. ***Monthly and recurring Memberships.*** Recurring memberships are a six-month minimum commitment. The proposed fees will increase memberships for Youth, seniors, and adults by \$8. This fee increase will bring the center closer to what other comparable facilities charge. While these rates will still be below the industry's typical price, raising the fees will help to offset and absorb the increasing cost of running the facility.

For comparison purposes, Ukiah Valley Athletic Club's monthly single membership is \$89, while couples are \$185 with no option for recurring

memberships, and they also charge a one-time initiation fee of \$225. Arcata Community Pool's monthly cost for a single membership is \$100 and \$195 for a family of four. They also do not offer recurring monthly memberships; they offer one or three months at a time. Additionally, the Arcata Community Pool has only one pool and a small gym with no fitness classes.

2. Annual & Corporate Memberships

For those members who enjoy the facility year-round, the annual membership will enhance their active lifestyle at a discounted rate. After recognizing the demand for Corporate Memberships, the center has decided to reinstate them. These memberships will help to build a healthy community by encouraging our many local employers to provide this benefit to their employees.

3. Facility Rental Fees

These fees have undergone an extensive analysis of what it takes to offer these rentals. While this has not been done in the past, the increasing cost of operating and offering these services has caused the need to examine the actual incurred costs of each amenity closely. Raising these fees will help absorb the rising cost of day-to-day operations.

The cost of Propane to heat the pool and facility has doubled post-pandemic. Staff has spent countless hours reaching out and assessing other comparable facilities and communities regarding the overall cost of offering lane rentals to the swim teams. The Mendocino Sports Club previously charged \$25/per lane per hour and considered adding janitorial costs.

Up north, the Arcata Community Pool lap lane rentals are \$8/per lane per hour. This was in line with current C.V. Starr Center fees; however, the CV Starr pool is a USA swimming-approved facility with a greater depth and broader pool with eight lanes compared to six lanes at Arcata, affecting utility costs. Additionally, the Center has not been as successful with securing grant revenues to offset the ongoing capital and maintenance issues. Membership costs for Arcata are set significantly higher to offset the lane prices set. For lane rentals, the swim teams are allowed to rent the four lanes for the first one-half hours and then are downsized to three lanes after 5:30 pm, when there is an influx of members, leaving two lanes for other members and one lane for swim lessons.

The lap lane rental of \$16.00 for the general public was substantially low when compared to other facilities throughout the industry. Raising it to the standard \$30 will help offset the cost of incidentals. This particular rental does not take place very often.

The six-hour facility rental fee has substantially increased from previous years, from \$1,214 to \$2,200, due to the number of Staffing hours needed to ensure the event is successful and the revenue lost being closed to the public, which impacts the Center drop-in sales which is higher on the weekends. The proposed fee is almost a 50 percent cost recovery to the Center for direct costs, as the Center acknowledges the positive economic impact the event brings to the City. The proposed fee is 50 percent of the actual costs.

4. CV Starr Community Center Group Fees

This fee group include, dance class, art classes, swim lessons and other enrichment offerings. These fees are set by calculating the incurred costs of running each program. Programs are announced in-advance of registration and are offered at various times throughout the year.

Legal Requirements

State law contains a number of provisions that affect a City's establishing and updating City fees. They can be summarized generally as follows:

- (i) A City may set fees to recover the full cost of providing services, but fees cannot be levied in excess of the cost of service or for general revenue purposes.
- (ii) A Cost-of-Service Study may be used as the basis to calculate and set fees to recover the full cost of providing services and to make findings that the fees reflect a reasonable estimate of the cost of providing the applicable services.
- (iii) As for the process of adopting fees, State law requires that changes to the City's fees be presented to the City Council at a Public Hearing in accordance with Government Code section 66016, which requires that there be two publications of the meeting notice in the local newspaper, advance notice is provided to any party that requests to be notified of any proposed fee adjustments, and that the full package of the proposal is made available to the Public no less than ten days prior to the Hearing.
- (iv) In addition, approved changes may take effect no less than 60 days after approval.

The proposed fees were presented and reviewed at the Finance & Administration Committee on June 14, 2023, and to the CV Starr Ad-Hoc committee in August 2023. The Ad-Hoc Committee has also met with the two swim teams and held an open forum at the Center on October 19 to discuss fees and any other operational issues.

Staff has published and provided the notice requirements for the proposed changes herein and brought the proposed fees before the City Council on October 23, 2023, to conduct a Public Hearing. If approved, Staff recommends that any changes approved pursuant to this item become effective on January 1, 2024, which is 60+ days from the conclusion of the Public Hearing and approval.

RECOMMENDED ACTION:

Following the City Council's review and discussion, conduct the Public Hearing and consider adopting the updated fees for the CV Starr Center.

Furthermore, both the Ad-Hoc Committee and City Staff recommend the Center develop a business plan to establish a cost recovery and pricing policy designed to provide Center Staff with consistent guidelines in pricing memberships, drop-in, use of facilities, and

establishing program fees based on the individual benefits a user receives above a general taxpayer. The policy will help the C.V. Starr enterprise address revenue goals to support operational costs, provide greater fairness in pricing services to users, and help support implementing future programs, facilities, and services. A cost recovery and pricing policy also allows facility users, staff, and general taxpayers to better understand the philosophy behind a program or service pricing. This also allows for the Center to provide a higher quality of services due to these limited operational dollars.

ALTERNATIVE ACTION(S):

Conduct the review and direct Staff to provide additional analysis or changes to the proposed fees for action at a future meeting.

FISCAL IMPACT:

If approved, based on the current membership count and daily passes, an additional \$180,000 annually of operating revenues is estimated. The additional funds will help offset the cost of the day-to-day operations of the C.V. Starr Community Center.

GREENHOUSE GAS EMISSIONS IMPACT:

The review of this report has little impact on greenhouse gas emissions.

CONSISTENCY:

These fee updates are consistent with established City Council policy requiring full cost recovery for services provided. All legal requirements discussed above have been adhered to.

IMPLEMENTATION/TIMEFRAMES:

If approved, the fees will become effective on January 1, 2024. The Consolidated Fee Schedule will be updated and distributed to City and CV Starr staff and will be posted on the website.

ATTACHMENTS:

1. Resolution Adopting Fee Schedule
2. Fee Schedule Exhibit A
3. Public Hearing Notice
4. Propane historical costs
5. Electric Historical costs
6. Fee comparison

NOTIFICATION:

None.